

Message Text

UNCLASSIFIED

PAGE 01 BONN 00401 01 OF 03 091358Z

44

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AS-01 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 ABF-01 /112 W

----- 033034

R 091345Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5543

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 00401

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JANUARY 8)

.

REF.: BONN 20584

1. QUOTE OF THE WEEK: BUNDESBANK PRESIDENT KLASSEN IS QUOTED IN THIS WEEK'S PRESS AS SAYING "FOR ME IT IS MORE CERTAIN THAT THERE WILL BE NO WAR DURING THE NEXT 100 YEARS THAN THAT THERE WILL BE A EUROPEAN CURRENCY A 100 YEARS FROM NOW."

2. SPECULATION ON KLASSEN SUCCESSION: THE NEWSMAGAZINE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 00401 01 OF 03 091358Z

DER SPIEGEL THIS WEEK REPORTS THAT BUNDESBANK PRESIDENT

KLASEN INTENDS TO RESIGN AFTER THE FEDERAL ELECTION THIS YEAR FOR HEALTH REASONS (ONE YEAR BEFORE HIS TERM EXPIRES). ACCORDING TO DER SPIEGEL, ECONOMICS MINISTRY STATE SECRETARY SCHLECHT IS THE FRONT RUNNER FOR KLASEN'S SUCCESSION WITH FINANCE MINISTRY STATE SECRETARY POEHL, WESTDEUTSCHE LANDESBANK CHIEF POUILLAIN AND WALTER HESSELBACH, HEAD OF THE TRADE UNION-OWNED BANK FUER GEMEINWIRTSCHAFT ALSO IN THE RUNNING. (COMMENT: KLASEN HAS DENIED PREVIOUS RUMORS THAT HE WOULD RESIGN PRIOR TO THE ELECTION AND INDICATED THAT HE INTENDS TO SERVE OUT HIS TERM. RUMORS OF HIS ILL HEALTH AND REGINATION PERSIST, HOWEVER.)

3. PROFESSOR KLOTEN TO BECOME PRESIDENT OF BADEN-WUERTTEMBERG STATE CENTRAL BANK: THE BUNDESRAT HAS AGREED TO THE APPOINTMENT OF THE CURRENT CHAIRMAN OF THE COUNCIL OF ECONOMIC EXPERTS, PROFESSOR KLOTEN, AS PRESIDENT OF THE BADEN-WUERTTEMBERG LAND CENTRAL BANK. THE FINAL APPOINTMENT WILL BE MADE BY THE PRESIDENT OF THE FEDERAL REPUBLIC. MR. KLOTEN THUS ALSO AUTOMATICALLY WILL BECOME A MEMBER OF THE CENTRAL BANK COUNCIL.

4. 1948 CURRENCY REFORM FINALLY TERMINATED: ON JANUARY 1, 1976, THE GERMAN "LAW ON THE TERMINATION OF THE CURRENCY REFORM" HAS BECOME EFFECTIVE. ACCORDING TO THIS LAW THE 1948 CURRENCY REFORM WILL BE FINALLY TERMINATED. AS OF JUNE 30, 1976 ALL NOT YET SETTLED REICHSMARK CLAIMS AGAINST BANKS, INSURANCE COMPANIES AND BUILDING AND LOAN ASSOCIATIONS WILL FINALLY EXPIRE. ONLY SOME MINOR EXCEPTIONS WILL BE MADE FOR: A) FUTURE CLAIMS ON PRIVATE LIFE AND OTHER OLD AGE INSURANCES; B) CLAIMS AGAINST BANKS WHICH PREVIOUSLY RESIDED IN EAST BERLIN OR THE DDR; AND C) CLAIMS OF PERSONS LIVING NOW IN THE DDR.

5. FOREIGN EXCHANGE MARKET: AT THE BEGINNING OF THIS YEAR THE DOLLAR WEAKENED AGAINST THE DEUTSCHEMARK. THE GERMAN FINANCIAL PRESS ATTRIBUTED THIS TO AN ANTICIPATED MONETARY EASING IN THE U.S. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

UNCLASSIFIED

PAGE 03 BONN 00401 01 OF 03 091358Z

	FORWARD DOLLARS			
	(DISCOUNTS IN PCT.P.A.)			
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH	
DEC 3L	DM 2.6223	-1.8	-2.2	
JAN 2	2.6222	-1.8	-2.1	
5	2.6112	-2.2	-2.2	

6	2.6023	-1.9	-2.2
7	2.6000	-1.6	-2.0
8	2.5970	-2.1	-1.9

6. MONEY MARKET: THE GERMAN MONEY MARKET EASED AT THE BEGINNING OF 1976 SINCE FUNDS USED BY BANKS FOR YEAR-END WINDOW-DRESSING PURPOSES WERE NOW AVAILABLE FOR MONEY MARKET INVESTMENTS. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 00401 02 OF 03 091406Z

44

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AS-01 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 ABF-01 /112 W

----- 033174

R 091345Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5544

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 00401

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

DEC 31 4.5 4.2-4.5 4.1-4.3

JAN 2	3.5-3.8	3.6-3.9	3.8-4.1
5	2.9-3.2	3.5-3.7	3.7-4.0
6	3.0-3.2	3.5-3.7	3.7-4.0
7	3.3-3.5	3.5-3.7	3.8-4.1
8	3.4-3.6	3.6-3.9	3.8-4.1

7. BOND MARKET: THE DM 660 MILLION LOAN OF THE FEDERAL GOVERNMENT OFFERED ON DECEMBER 30 (SEE BONN 20584) HAS BEEN SUCCESSFULLY PLACED. IT IS CURRENTLY TRADED AT 0.25 PERCENTAGE POINTS ABOVE ITS ISSUE PRICE OF 99.50. ON JANUARY 9 THE STATE OF NORTH-RHINE WESTFALIA WILL UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 00401 02 OF 03 091406Z

OFFER A DM 550 MILLION LOAN (COUPON 8 PERCENT, ISSUE PRICE 99.75, MATURITY 6 YEARS NON-CALLABLE, YIELD TO MATURITY 8.05 PERCENT). THE YIELD TO MATURITY OF THE LOAN IS SOMEWHAT LOWER THAN THE 8.11 PERCENT YIELD OF THE FEDERAL GOVERNMENT LOAN. IN JANUARY THE NORTH-RHINE WESTFALIA LOAN WILL BE FOLLOWED BY ANOTHER STATE GOVERNMENT LOAN AND A BUNDESBahn LOAN.

8. OUTSTANDING FEDERAL SAVINGS BONDS AT RECORD LEVEL: AT THE END OF 1975 OUTSTANDING FEDERAL SAVINGS BONDS REACHED A RECORD LEVEL OF DM 9.9 BILLION. MORE THAN HALF OF THIS (DM 5.1 BILLION) WERE SOLD IN 1975. (SALES OF FEDERAL SAVINGS BONDS BEGAN IN 1969 AND REACHED SIGNIFICANT AMOUNTS ONLY IN 1972. AT THE END OF 1972 OUTSTANDING SAVINGS BONDS AMOUNTED TO DM 4.2 BILLION).

9. FOREIGN DM LOANS: THE KINGDOM OF DENMARK PLANS TO OFFER A DM 100 MILLION LOAN. THE COUPON IS EXPECTED TO BE 8 1/4 PERCENT, THE MATURITY 6 YEARS. AN INTER-NATIONAL BANKING CONSORTIUM LED BY THE DRESdNER BANK IS CURRENTLY PREPARING A DM 70 MILLION LOAN FOR THE COMPANIA VALO DO RIO DOCE, RIO DE JANEIRO.

10. STOCK MARKET: AT THE BEGINNING OF 1976 THE GERMAN STOCK MARKET RALLIED. IN THE FIRST TWO BUSINESS DAYS OF 1976 STOCK PRICES INCREASED BY ALMOST 3 PERCENT BRINGING THE FAZ STOCK INDEX TO 247.25 ON JANUARY 5. THIS IS ABOVE THE 1975 HIGH REACHED ON DECEMBER 29, AND ONLY 8 PERCENT BELOW THE ABSOLUTE POSTWAR RECORD REACHED IN NOVEMBER 1969.

11. BUNDESBANK FOREIGN POSITION: IN THE SECOND WEEK OF DECEMBER (DECEMBER 16-23) THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.7 BILLION TO DM 78.7 BILLION. GERMANY'S IMF GOLD TRANCH POSITION INCREASED BY DM 77 MILLION; HOLDINGS OF LIQUID FOREIGN EXCHANGE FELL BY DM 640 MILLION AND GROSS LIABILITIES INCREASED

BY ABOUT DM 140 MILLION. THE BUNDESBANK ATTRIBUTED THE
RESERVE DECLINE LARGELY TO GOVERNMENT PAYMENTS TO THE EC.

12. BANK LIQUIDITY: IN THE THIRD WEEK OF DECEMBER BANK
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 00401 02 OF 03 091406Z

LIQUIDITY DECLINED BY DM 2.6 BILLION. THE MAJOR FACTOR
REDUCING LIQUIDITY WAS A DM 6.2 BILLION INCREASE IN
BUNDESPOST ASSETS HELD AT THE BUNDESBANK DUE TO THE FACT
THAT THE BUNDESPOST RECEIVED SOCIAL INSURANCE FUNDS FOR
PENSION PAYMENTS BEFORE CHRISTMAS WHILE PAYMENTS TO
PENSIONERS WERE MADE ONLY AFTER CHRISTMAS. OTHER
FACTORS REDUCING LIQUIDITY WERE THE ABOVE MENTIONED

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 00401 03 OF 03 091404Z

44

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AS-01 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 ABF-01 /112 W

----- 033153

R 091345Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5545

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 03 BONN 00401

DECLINE IN THE BUNDESBANK'S FOREIGN POSITION, A DM 0.8 BILLION INCREASE IN CURRENCY IN CIRCULATION DUE TO CHRISTMAS, AND A DM 1.6 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. FACTORS INCREASING (NET) LIQUIDITY BY DM 6.7 BILLION REMAINED LARGELY UNSPECIFIED INCLUDING A DM 2.1 BILLION INCREASE IN BUNDESBANK HOLDINGS AT POSTAL CHECK ACCOUNTS. THE BANKS FINANCED THE DECLINE IN LIQUIDITY BY INCREASING LOMBARD BORROWINGS BY DM 2.4 BILLION AND REDISCOUNT BORROWINGS BY DM 0.2 BILLION.

13. TAX RELIEF -- LOSS CARRY BACK IN THE OFFING: ACCORDING TO A DPA REPORT, THE FINANCE MINISTRY CONFIRMED ON JANUARY 8 THAT THE CABINET IN "ONE OF ITS NEXT MEETINGS" WILL DECIDE TO PROPOSE TO LEGISLATORS INTRODUCTION OF A UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 00401 03 OF 03 091404Z

LOSS CARRY BACK FOR TAX RELIEF. SOME SUCH TAX RELIEF HAS LONG BEEN SOUGHT BY BUSINESS ASSOCIATIONS, ADVOCATED BY THE OPPOSITION AND THE FDP, AND NOW ALSO SEEMS ACCEPTABLE TO MOST SPD QUARTERS. THEREFORE, THE CONTEMPLATED DRAFT LEGISLATION WOULD SEEM TO STAND A GOOD CHANCE FOR PARLIAMENTARY APPROVAL.

14. ECONOMIC INDICATORS PUBLISHED THIS WEEK BUILDING PERMITS FOR HOUSING UNITS IN OCTOBER ROSE TO 35,305 -- 1,869 OR 5.6 PERCENT MORE THAN IN SEPTEMBER 1975 BUT 1,766 OR 4.8 PERCENT LESS THAN IN OCTOBER 1974. ACCORDING TO BUNDESBANK SEASONALLY-ADJUSTED DATA, THE VOLUME OF EXPORTS IN OCTOBER CAME TO DM 14.13 BILLION, WHILE THE VOLUME OF IMPORTS IN OCTOBER AMOUNTED TO DM 12.41 BILLION (REVISED FIGURES FOR SEPTEMBER: EXPORTS, DM 14.20 BILLION; IMPORTS, DM 12.20 BILLION). THE BUNDESBANK MONTHLY REPORT STATES THAT THE 1975 EXPORT SURPLUS WAS ABOUT DM 37 BILLION. NOVEMBER ORDER AND PRODUCTION DATA ARE CONTAINED IN BONN 331.
HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN00401
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760008-0593
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760173/aaaacmqw.tel
Line Count: 322
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: castelsl
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUN 2004 by barnescd>; APPROVED <18 AUG 2004 by castelsl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING JANUARY 8) .
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006